

Message Text

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ORIGIN STR-04

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 STRE-00 FEA-01
AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03
H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
AID-05 CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01
SP-02 OMB-01 /107 R

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO PRIORITY

INFO USMISSION EC BRUSSELS PRIORITY

USDEL MTN GENEVA

C O N F I D E N T I A L STATE 004169

E.O. 11652:

TAGS: JAPAN, ETRD

SUBJECT: MEETING OF AMBASSADOR DENT WITH AMBASSADOR TOGO

FOR AMBASSADOR HODGSON FROM AMBASSADOR DENT

1. SUMMARY: AMBASSADOR DENT MET WITH AMBASSADOR TOGO, AT THE FORMER'S REQUEST, TO REVIEW CURRENT U.S./JAPAN TRADE RELATIONSHIP. PURPOSE WAS TO ALERT NEW JAPANESE GOVERNMENT TO EVOLVING TRADE ISSUES AS SEEN IN WASHINGTON, WITH A VIEW OF AVOIDING SERIOUS TENSIONS DOWN THE ROAD.

2. AMBASSADOR DENT, ACCOMPANIED BY ALAN WOLFF AND GEZA FEKETEKUTY FROM STR, MET WITH AMBASSADOR TOGO AND MINISTER FUKADA ON JANUARY 7 TO REVIEW CURRENT U.S./JAPANESE RELATIONSHIP. AMBASSADOR DENT INITIATED MEETING TO ALERT
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NEW JAPANESE GOVERNMENT TO GROWING CONCERN IN THE U.S. OVER TRADE RELATIONSHIP WITH JAPAN. HE NOTED THAT U.S. TRADE BALANCE HAD SWUNG OVER THE PAST YEAR, BY \$18 BILLION, FROM A CIF SURPLUS OF \$4 BILLION TO A CIF DEFICIT OF \$14. BILLION, AND THAT WITH THIS SWING THERE WERE INDICATIONS OF RENEWED PUBLIC CONCERN OVER BILATERAL DEFICIT WITH JAPAN, WHICH WAS AT A RECORD LEVEL. THERE IS DANGER

THAT THIS COULD LEAD TO STRONG PRESSURES FOR RESTRICTIONS ON JAPANESE GOODS, SUCH AS IN EUROPE.

3. AMBASSADOR DENT EXPRESSED CONTINUING U.S. CONCERN OVER JAPANESE DISCUSSIONS WITH EUROPE, CITING SHORT TERM THREAT OF DIVERSION TO U.S. MARKET AT A TIME WHEN U.S. SENSITIVITIES WERE ALREADY HIGH, AND LONGER-TERM THREAT TO MULTILATERAL CHARACTER OF TRADING SYSTEM. U.S. CONCERN ABOUT DIVERSION HAS NOT ABATED, IN LIGHT OF UNCERTAINTY SURROUNDING POSSIBLE INDUSTRY RESTRAINT AGREEMENTS AND DIVERSION OF JAPANESE PURCHASES FROM U.S. TO EUROPE FOLLOWING DOKO VISIT TO EC. AMBASSADOR DENT HOPED THAT JAPAN WOULD CONTINUE CLOSE CONSULTATIONS WITH U.S. ON THESE ISSUES, AND WOULD KEEP IN MIND U.S. INTERESTS. UNDER CURRENT CIRCUMSTANCES BOTH U.S. AND JAPAN NEEDED TO BEND OVER BACKWARD TO DISCUSS ISSUES OF MUTUAL CONCERN AND TO SHOW CONCERN FOR MUTUAL INTERESTS, IN ORDER TO REASSURE PUBLIC.

4. AMBASSADOR DENT ALSO INDICATED THAT SOME ATTENTION SHOULD BE PAID TO STRUCTURE OF TRADE. U.S. EXPORTS TO JAPAN LARGELY CONSISTED OF AGRICULTURAL AND PRIMARY PRODUCTS. WHILE HEAVY CONCENTRATION IN PRIMARY PRODUCTS WAS A NATURAL OUTCOME OF JAPAN'S LACK OF NATURAL RESOURCES, PROPORTION OF U.S. MANUFACTURED EXPORTS TO JAPAN WAS FAR LOWER THAN TO OTHER RESOURCE POOR COUNTRIES LIKE GERMANY AND U.K. PROCESSING ELEMENT OF U.S. EXPORTS TO JAPAN WAS A NATURAL MATTER OF CONCERN BECAUSE AMERICAN LABOR MAY REACT NEGATIVELY, IF IT IS NOT GIVEN APPROPRIATE STAKE IN U.S. TRADE WITH JAPAN. WHILE THE U.S. WOULD, OF COURSE, CONFIDENTIAL

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LIKE TO SEE CONTINUED LIBERALIZATION OF AGRICULTURAL QUOTAS, SPECIAL ATTENTION SHOULD BE FOCUSED ON WAYS OF INCREASING U.S. MANUFACTURED EXPORTS TO JAPAN. ALSO, IN A NUMBER OF COMMODITIES SUCH AS LOGS AND HIDES, U.S. SENSITIVITIES OVER MAGNITUDE OF EXPORTS TO JAPAN COULD BE ALLEVIATED THROUGH THE PURCHASE OF THESE PRODUCTS IN MORE PROCESSED FORM.

5. AMBASSADOR DENT REVIEWED CURRENT STATUS OF VARIOUS SPECIFIC TRADE ISSUES OF MUTUAL CONCERN TO TWO COUNTRIES, SUCH AS COLOR TELEVISION ESCAPE CLAUSE CASE, DEVELOPMENTS IN WORLD TRADE OF CARBON STEEL, RENEWAL OF MFA, JAPANESE AUTO STANDARDS, JAPANESE HEALTH REGULATIONS ON CITRUS, AND JAPANESE IMPORT RESTRICTIONS ON BEEF WHICH CREATED EXCESSIVE EXPLOITATION OF FISH RESOURCES.

6. AMBASSADOR DENT CLOSED HIS REMARKS BY NOTING THAT JAPAN COULD MODERATE U.S. LABOR CONCERN OVER LARGE EXPORTS OF AUTOS, TV'S AND STEEL TO US BY IMPORTING MORE U.S. MANU-

FACTURED GOODS. HE WOULD RECOMMEND TO HIS SUCCESSOR THAT HE CONTINUE DIALOGUE ON THIS AND OTHER SUBJECTS AT AN EARLY

DATE. IT WAS HIS HOPE THAT TWO COUNTRIES WOULD BE ABLE TO MAINTAIN CLOSE AND CORDIAL RELATIONSHIP BY FRANKLY TALKING ABOUT COMMON PROBLEMS AND OPPORTUNITIES.

7. AMBASSADOR TOGO THANKED AMBASSADOR DENT FOR HIS REVIEW, HE NOTED THAT ONE OF THE FIRST THINGS PRIME MINISTER FUKUDA INTENDED TO DO WAS TO STIMULATE ECONOMY WHICH SHOULD CORRECT CURRENT TRADE IMBALANCE. JAPAN IS TRADE ORIENTED, BUT THERE WAS ALSO A LARGE DOMESTIC MARKET WHICH COULD ABSORB ADDITIONAL IMPORTS. AS FAR AS DISCUSSIONS WITH EUROPE WERE CONCERNED, THE EC HAD MADE A STRONG PRESENTATION OF ITS CASE, AND THE WHOLE EXPERIENCE HAD BEEN AN UNPLEASANT ONE. TOGO NOTED THAT HE HAS MADE EVERY EFFORT TO REMIND HIS GOVERNMENT THAT SOLUTION TO TRADE

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PROBLEMS WITH EUROPE WOULD NEED TO BE DEALT WITH IN CONTEXT OF TRILATERAL RELATIONSHIP. HE HOPED NEW GOVERNMENT WOULD SEEK SOLUTION ON MULTILATERAL BASIS, AND THUS AVOID AROUSING UNDUE CONCERN IN U.S.

8. AMBASSADOR TOGO INQUIRED HOW TOKYO ROUND COULD BE KEPT GOING. HE NOTED THAT SECRETARY OF STATE-DESIGNATE VANCE HAD INDICATED TO HIM IN A PRIVATE CONVERSATION THAT HE (VANCE) WOULD PLACE A HIGH PRIORITY ON THESE NEGOTIATIONS. TOGO SAID HE WAS VERY PLEASED BY THIS ATTITUDE, AND ASKED AMBASSADOR DENT FOR HIS VIEWS.

9. AMBASSADOR DENT RESPONDED BY NOTING THAT GROUNDWORK FOR A SUBSTANTIVE TRADE PACKAGE HAD NOW BEEN COMPLETED, AND POLITICAL DECISION WAS NOW NEEDED. KEY ITEMS TO BE ADDRESSED WERE A PRAGMATIC APPROACH TO ACHIEVE SOME LIBERALIZATION IN AGRICULTURE AND A TARIFF FORMULA. BEST WAY TO FOCUS THE NEGOTIATIONS WOULD BE INITIAL AGREEMENT ON DIRECTION OF NEGOTIATIONS AND ON TIME TABLE BY BIG THREE, TO BE FOLLOWED BY A MINISTERIAL LEVEL MEETING. IT WAS IMPERATIVE TO KEEP MTN GOING, BECAUSE IT HELPS COUNTRIES TO RESIST PROTECTIONIST PRESSURES, BUILDS CONFIDENCE IN ABILITY OF MAJOR TRADING PARTNERS TO WORK TOGETHER, AND WILL RESULT IN BETTER FRAMEWORK FOR MANAGING EXPANDING TRADE. HE WAS SURE THAT THE NEW ADMINISTRATION WOULD CONTINUE TO GIVE THE MTN STRONG SUPPORT. MOST OF HIS STAFF WOULD REMAIN, TO SUPPORT THE EFFORT, AND HIS RECENT CONVERSATIONS WITH MEMBERS OF CONGRESS ALSO CONVINCED HIM THAT CONGRESS WOULD CONTINUE TO PROVIDE STRONG SUPPORT.

10. BOTH AMBASSADOR TOGO AND AMBASSADOR DENT AGREED AT

CONCLUSION OF SESSION THAT THE REVIEW HAD BEEN EXTREMELY
USEFUL AND TIMELY. AS POST AWARE, AMBASSADOR TOGO WILL
RETURN TO TOKYO JANUARY 8 FOR CONSULTATIONS WITH GOJ ON
PREPARATIONS FOR A POSSIBLE NEW ECONOMIC SUMMIT.

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Message Attributes

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Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
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TAGS: ETRD, JA, US, (DENT, FREDERICK B), (TOGO)
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